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SUBJECT: DIRT EXPECTED TO BE TURNED SOON FOR ANBAR'S FY 2007 CAPITAL BUDGET

**¶1.** (U) This is a PRT Anbar reporting cable.

**¶2.** (SBU) Summary: Anbar Governor Ma,amoun signed 17 of an expected 131 construction contracts for the province,s \$107 million FY 2007 capital expenditure budget on August 13. Six months ago, few if any private contractors would have stepped forward to bid on government contracts because of fear of Al-Qaeda retribution. However, the contract signings illustrate the improvements in security as well as Anbar,s capacity to appropriate a budget, analyze project tenders, and declare the winners. Certainly, the budget system can be improved: the PRT will sponsor at least two budgetary and government ethics workshops in the near term. End Summary.

Contract Signings

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**¶3.** (U) Anbar Governor Ma,amoun Sami Rasheed signed 17 construction contracts, valued at \$4.9 million, of an expected 131 construction projects from the province,s FY 2007 capital expenditure budget at his private residence in Ramadi on August 13, marking another milestone in Anbar,s budget execution process.

**¶4.** (U) Anbar,s capital expenditure budget is the equivalent of \$107 million, which the Provincial Council allocated on various projects in a vote taken on June 4. Provincial officials spent the past two-and-a-half months calling for tender offers, ensuring that interested companies had sufficient time to submit bids, and analyzing the bid offers.

**¶5.** (U) The August 13 contract signings took place in the presence of some 25 Provincial Council members and other officials, and a room full of winning contractors. Ma,amoun read aloud the winning contractor,s name, the type of project (road repair, health clinic construction), the project,s location, and contract value. One by one, the winners walked the front of the room and signed their contracts with Ma,amoun as the province,s signatory.

Then and Now

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**¶6.** (SBU) Six months ago, few Anbari contractors if any would have come forward to bid on government contracts because of Al-Qaeda retaliation. But with Anbar,s recent improvement in security, there is now a strong interest in bidding on government jobs. According to MNF-West records, there were 74 security incidents registered for the entire province for the week ending August 8. That tally is the lowest such statistic since MNF-West began keeping records in January 2005, and compares to the 450-500 incidents typically registered on a weekly basis province-wide last summer and fall. The security improvements in the Ramadi area are even more dramatic than in the province as a whole. Only three incidents were recorded for Ramadi and its environs for the

week ending August 8, compared to the 120-180 weekly incidents typically seen last summer. Since June 1, there have been at least 22 days in which the Ramadi area has not experienced any security incidents at all. The city of Ramadi, a battlefield six months ago, is no longer under insurgent control.

Budget Procedures

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¶7. (SBU) In addition to the 17 contracts signed on August 13, an additional 76 are ready for signature as soon as the winning contractors can arrange a signing appointment with the governor. According to the governor's office, 32 projects must be re-bid as they either attracted no bids or less than the three-bid minimum, and six projects have been held back for re-design.

¶8. (U) At the signing ceremony, Ma'amoun's deputy for technical affairs explained to the audience the three-committee procedure that was used in declaring the winning bidder: one committee opened and recorded the bids; a second committee analyzed the offers; and a third committee declared the winner. The official indicated that special consideration was given to qualified bidders who lived in the locale where the construction would take place.

Turning Dirt

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¶9. (SBU) With the first round of FY 2007 contracts signed, we expect dirt to be turned within a matter of days. Minister of Finance Jabr has signaled his intention to release the full amount of Anbar's \$107 million FY 2007 budget.

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MNF-West will ensure that the cash is transported to Anbari banks to begin contract payments.

The FY 2006 Budget

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¶10. (SBU) Unlike this year's budget, provincial spending for the \$96 million FY 2006 is still not documented. There is no record of a Provincial Council vote or on reconciling the amount spent. Anbar received its FY 2006 budget from the central government last November, at a time when the insurgency had disrupted the normal functioning of local government. At that time, the threat of AQI murder and intimidation dispersed Anbar's provincial council so that it could not meet in the province, civil servants went underground or avoided contact with the Coalition, and many cities and towns did not have functioning local councils or mayors.

¶11. (SBU) Both Governor Ma'amoun and Provincial Council Chairman Abdulsalam Abdullah have told us that they, along with a small group of other officials, selected the projects, but no formal budgetary procedure was followed. Nonetheless, both officials attest that the entire FY 2006 budget was allocated, and, in their estimation, 60%-80% of the payments have been made to the contractors. The PRT is engaged in seeking to help provincial officials reconstruct the project list for FY 2006.

Comment

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¶12. (SBU) Despite enduring several years of a violent insurgency, Anbar provincial officials appear to have a remarkable capacity to appropriate a budget, analyze project tenders, and declare the winners. While MNF-West and the PRT made modest contributions, the lion's share of the credit goes to the Anbaris themselves, who have moved forward with a serviceable budget procedure. Certainly, there is room for improvement: the three-committee review process may have

been a local attempt to ensure transparency, but it likely slowed down the award announcements. Improvements can also be made in advertising the requests for bids. With an eye on capacity building, the PRT, in conjunction with USAID contractor RTI, plans to sponsor at least two workshops with provincial officials on budget execution and transparency and government ethics in the next two months.

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